MICHIGAN HYDROCULTURE ASSOCIATION SUMMARY OF SB 786 & SB 787

- ***What are SB 786 and SB 787?***
  - The Hydroculture Association supports SB 786 and SB 787, which together would implement taxation under the Hydroponic and Aquaculture Production Facilities Specific Tax Act ("Hydro/Aqua Tax Act") and provide a corresponding exemption under the General Property Tax Act ("GPTA"). SB 786 provides the GPTA exemption and SB 787 is the Hydro/Aqua Tax Act.
  - Aquaculture facilities are used commercially for the indoor production and harvesting of aquaculture species such as fish, oysters, prawns, mussels, shrimp, crab, lobsters and aquatic plants such as seaweed and kelp. Aquaculture techniques utilize pumps, tanks, controls, recirculating and other indoor systems required to produce and harvest aquaculture species.
  - Hydroponic facilities are used commercially for the indoor production of plants such as tomatoes, berries, fruits, vegetables, flowers, and other nursery stock, without the use of soil. In a hydroponic facility, plant roots receive controlled water-soluble nutrients. Today, hydroponic facilities used commercially will be very large indoor glass or plastic greenhouses.
- ***How can aquaculture and hydroponic facilities benefit Michigan?***
  - **Aquaculture and hydroponic facilities provide locally grown food, employment and tax revenue.**
  - **These facilities will not only expand Michigan's economy, but help insulate it from recessions. Locally produced food will be purchased even during economic slumps.**
  - **For decades, the State's leaders have tried to improve Michigan's economy so recessions would be less painful. Aquaculture and hydroponic facilities do that.**
  - Furthermore, hydroponic facilities are good for the environment. Unlike field operations, indoor hydroponic facilities require a fraction of the footprint to produce fresh, uniform, high quality products with precise characteristics. On a comparative basis, in general a hydroponic greenhouse yields 7 Times the production of a like field grown acre. Depending upon the specific product, comparative greenhouse yields could be as high as 20 Times. This is not genetic manipulation, but rather decades of experience combined with the use of precise state of the art technology, to control variables such as heat, oxygen and carbon dioxide levels in connection with ecosystem management that maximizes growth.
- ***How Can SB 786 & SB 787 Permit Michigan to Become a Leader in a Relatively New and Growing Industry, Spur Large Scale Investment and Create Jobs?***
  - The aforementioned indoor farming operations are the impetus for new, large scale commercial operations and significant investments. Currently, there is no single geographic location in the United States that is a dominant hub for creation, development and investment in this rapidly growing technology. On a worldwide basis, however, hydroponic greenhouse research, manufacturing and technological advances are primarily generated in the Netherlands. In North America, Leamington, Ontario is also known as a fresh produce greenhouse hub, with many hydroponic and non-hydroponic facilities, ranging from small

commercial structures with 5 growing acres to large operations with 100 acres under glass or plastic.

- An industry leader, Coldwater, Michigan based Maroa Farms, Inc., is the best example of new hydroponic greenhouse technology in the United States. Maroa has approximately 50 growing acres under glass, 40 growing acres in production, and is the only greenhouse in the United States with the technological capabilities to grow fresh produce year round through the use of growing and light systems that have never before been installed on American soil. Maroa has spearheaded Meijer's campaign to offer locally grown fresh products 365 days a year throughout the State. Maroa's Coldwater, Michigan facilities already provide 147 new local jobs plus there will soon be an additional 50 to 100 positions. Plans for more jobs are in the works, but Michigan must be competitive with its neighbors, including Ontario, as well as all the other states in the Union, for even greater expansion to occur here.
- **Presently, Michigan is not competitive.**

Based on 1M SF Hydroponic Greenhouse and $1M NOI	**Ontario**	**Michigan**
Property Taxes	$38,076	$337,731
State/Provincial Income Tax	$100,000	$60,000
Federal Income Tax	$150,000	$340,000
Total Property & Income Taxes	$288,076	$737,731

Difference: $ 449,655

- Furthermore, other states are in hot pursuit of these types of facilities. For example, the State of Connecticut recently offered to provide $15 million in capital if 200 new jobs were created through investment in hydroponic facilities in Connecticut.
- **While Michigan is not now competitive, it could be and the industry could expand here.** Maroa has room for expansion in Coldwater and currently Coldwater's production is less than 5% of what Maroa and its affiliates produce.
- **Unfortunately, Michigan's property tax disadvantage is inhibiting future new investment.**
- **SB 786 and SB 787 help to make Michigan competitive so that there will be more investment in Michigan aquaculture and hydroponic facilities.**

MAROA FARMS
COLDWATER, MI SALES SUMMARY AND VALUATION
(AS OF MARCH 2014)

Sales	Trans. Date	Total Sale Price	Growing Area Sq. Ft.	Price Per Growing Area Sq. Ft.*
Leamington/Kingsville Canada				
885 County Road 23, Essex, Kingsville ON	Feb. 2012	$ 8,900,000	670,594	$ 13.27
441-459 Talbot, Leamington ON	Sep. 2010	$ 4,750,000	325,764	$ 14.58
620 County Road 37, Leamington ON	Jul. 2010	$ 3,878,718	404,928	$ 9.58
Mastronardi Transaction				
Illinois	Aug. 2010	$ 1,800,000	430,600	$ 4.18
EuroFresh				
Arizona Properties	Mar. 2013	$ 51,189,235	13,852,080	$ 3.70
Color Star Growers*				
Missouri, Texas and Colorado	Jan. 2014	$ 6,600,000	3,223,440	$ 2.05
Texas	Jan. 2014	$ 4,600,000	1,524,600	$ 3.02
Colorado	Jan. 2014	$ 2,200,000	1,698,840	$ 1.30
Totals and Average Price Per SF @ $3.79		**$ 83,917,953**	**22,130,846**	**$ 3.79**
Maroa Coldwater, MI Value: (1,167,408 SF @ $3.79/SF)		**$ 4,426,694**	**1,167,408**	

*Assumes entire price is allocated to growing area.
This likley results in excessive valuation of Maroa.